

**NATIONAL DAIRY MARKET AT A GLANCE****CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (03/24):**

**BUTTER:** Grade AA closed at \$1.1500. The weekly average for Grade AA is \$1.1550 (-.0155).

**CHEESE:** Barrels closed at \$1.1300 and blocks at \$1.1850. The weekly average for barrels is \$1.1285 (-.0025) and blocks, \$1.1840 (+.0035).

**BUTTER:** The cash butter price at the CME continues to adjust lower and closed the week at \$1.1500. Cream supplies remain plentiful to butter operations, although surplus volumes are somewhat lighter. Class II cream demand is increasing as production of cream based holiday items such as cream cheese, sour cream, and bottled cream build. Butter producers state that this Class II demand will decline shortly, but anticipate that ice cream production will continue to increase. Often churning activity is surpassing demand thus inventories continue to increase. Butter demand is mixed. Some handlers and traders state that orders remain strong, while others indicate that the Easter/Passover demand has ended. Retail feature activity is reported in some markets, but not at levels of previous years. The price level would seem to be good to foster added sales activity, but there is not much new activity yet. The issue is that time is fast running out on ordering and shipping butter for late breaking promotions.

**CHEESE:** The cheese market is steady, though with a cautious undertone. Current interest is best for shreds and sliced natural, fair on chunks. Mozzarella demand remains strong enough for unfrozen that some planned plant maintenance downtime has been delayed. Process interest is steady to occasionally improved seasonally. Cheese production remains seasonally heavy with some cheese makers choosing to limit output to just meet commitments. Ample milk volumes are available for manufacturers to meet orders.

**FLUID MILK:** Milk production continues to increase in most parts of the country. Milk supplies are often burdensome and manufacturing plant capacities are being tested. Fluid milk demand is mainly flat with limited promotions. School and college needs are expected to fluctuate in the coming weeks as spring breaks begin at various times. The fluid cream market is mixed. Some cream handlers see improvement in demand and want to push multiples higher, while others still see excessive supplies and buyers resisting any increases to multiples. Demand is fair for higher class cream-based items. Cream cheese and ice cream production are trending higher, but are still below most people's expectations.

**DRY PRODUCTS:** The nonfat dry milk market tone remains weak. Current production levels are trending higher to process the heavy and building milk supply. Last weeks' support price offerings included sales at 80 cents and at 79.5 cents for x-bags. The expectation in the trade is that the support program will be used by producers as a tool to balance stocks. Demand for NDM has slowed. Buyers are purchasing for immediate needs and not expecting much fluctuation in market prices in the near future. Dry buttermilk markets are also weak. With heavy milk production, butter churns remain active, thus plant stocks of buttermilk powder are accumulating. Buying interest is slow to redevelop even as pricing levels decline. The whey powder market tone is weak. Prices are noted at a discount into export markets and steady to lower into domestic markets. Producers report that continued heavy cheese and dry whey

production, coupled with lackluster demand, is causing stocks to grow.

**CCC:** During the week of March 20 - 24, there was no dairy price support activity.

**CHEESE INVITATIONS:** On March 21, the Kansas City Commodity Office issued invitations seeking offers to sell to CCC between 25.2 - 72.5 million pounds of mozzarella; between 15.2 - 57.7 million pounds of process; and between 15.9 - 36.2 million pounds of natural American for July 2006 - June 2007 delivery for school lunch and other feeding programs. This compares to the 2005/2006 initial inquiries for 32.5 - 65.3 million pounds of mozzarella; 24.1 - 61.3 million pounds of process; and 13.6 - 32.4 million pounds of natural American cheese. Offers are due April 4 with the scheduled release of results on April 10.

**COLD STORAGE (NASS):** On February 28, U.S. cold storage holdings of butter totaled 151.7 million pounds, 37.8% more than a month ago and 36.8% more than last year. Natural American cheese holdings total 548.5 million pounds, 2.9% more than a month ago and 8.6% higher than last February. Total cheese stocks were 775.0 million pounds, 3.3% more than January and 7.2% higher than February 2005.

**FEBRUARY MILK PRODUCTION (NASS):** Milk production in the 23 major States during February totaled 13.0 billion pounds, up 5.9% from February 2005. January production, at 14.0 billion pounds, was up 5.5% from January 2005. Production per cow in the 23 major States averaged 1,588 pounds for February, 66 pounds (4.3%) above February 2005. The number of cows on farms in the 23 major States was 8.21 million head, 121,000 head (1.5%) more than February 2005, and 118,000 head more than January 2005.

**DAIRY SITUATION (ERS):** First-quarter milk production is forecast to increase just under 5% over 2005, 2% over the 5-year average. The increase in production has been aided by an unusually mild winter, adequate forage/hay supplies, and relatively inexpensive feed ration inputs. Higher fat tests and unseasonably heavy milk per cow have also been observed in 2006. Following surprisingly weak fourth-quarter commercial use, processors are now faced with larger-than-usual milk supplies to handle in the first quarter. On an annual basis, milk production is forecast to be slightly less than 3% over that of 2005. With the momentum that is already built into milk supplies and the uncertainty surrounding demand at current price levels, it is expected that the all-milk price will average \$12.75 to 13.35, about \$2 below 2005.

**FEBRUARY MILK ORDER PRICE AND POOL SUMMARY (DAIRY PROGRAMS):** During February, about 9.7 billion pounds of milk were received from producers. This volume of milk is 40.8% higher than the February 2005 volume. In February 2005, there was a significant volume of milk not pooled due to intraorder disadvantageous price relationships. About 3.5 billion pounds of producer milk were used in Class I products, 0.7% higher than the previous year. Calendar composition had no impact on milk used in Class I in 2006 as compared to 2005. The all-market average Class utilizations were; Class I = 36%, Class II = 12%, Class III = 39%, and Class IV = 13%. The weighted average statistical uniform price was \$13.55, \$0.73 lower than last month and \$1.61 lower than last year.

## \*\*\*\*SPECIALS THIS ISSUE\*\*\*\*

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**CHICAGO MERCANTILE EXCHANGE  
CASH TRADING**

PRODUCT	MONDAY MARCH 20	TUESDAY MARCH 21	WEDNESDAY MARCH 22	THURSDAY MARCH 23	FRIDAY MARCH 24	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.1275 (-.0075)	\$1.1275 (N.C.)	\$1.1275 (N.C.)	\$1.1300 (+.0025)	\$1.1300 (N.C.)	(-.0050)	\$1.1285 (-.0025)
40# BLOCKS	\$1.1825 (N.C.)	\$1.1825 (N.C.)	\$1.1850 (+.0025)	\$1.1850 (N.C.)	\$1.1850 (N.C.)	(+.0025)	\$1.1840 (+.0035)
BUTTER							
GRADE AA	\$1.1600 (-.0100)	\$1.1550 (-.0050)	\$1.1550 (N.C.)	\$1.1550 (N.C.)	\$1.1500 (-.0050)	(-.0200)	\$1.1550 (-.0155)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. \*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM **NOTE: CME NDM on Page 2.**

## CHICAGO MERCANTILE EXCHANGE

MONDAY, MARCH 20, 2006

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1275

BUTTER — SALES: 9 CARS GRADE AA: 2 @ \$1.1600, 1 @ \$1.1675, 1 @ \$1.1650, 1 @ \$1.1550, 3 @ \$1.1650, 1 @ \$1.1700; BIDS UNFILLED: 2 CARS GRADE AA: 1 @ \$1.1550, 1 @ \$1.1500; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.1600

TUESDAY, MARCH 21, 2006

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.1825; OFFERS UNCOVERED: NONE

BUTTER — SALES: 1 CAR GRADE AA @ \$1.1550; BIDS UNFILLED: 1 CAR GRADE AA @ \$1.1500; OFFERS UNCOVERED: NONE

WEDNESDAY, MARCH 22, 2006

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.1850; OFFERS UNCOVERED: NONE

BUTTER — SALES: NONE; BIDS UNFILLED: 3 CARS GRADE AA: 1 @ \$1.1500, 1 @ \$1.1450, 1 @ \$1.1400; OFFERS UNCOVERED: NONE

THURSDAY, MARCH 23, 2006

CHEESE — SALES: 2 CARS BARRELS: 1 @ \$1.1325, 1 @ \$1.1300; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1300

BUTTER — SALES: NONE; BIDS UNFILLED: 5 CARS GRADE AA: 1 @ \$1.1550, 2 @ \$1.1425, 2 @ \$1.1400; OFFERS UNCOVERED: NONE

FRIDAY, MARCH 24, 2006

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.1500; OFFERS UNCOVERED: NONE

BUTTER — SALES: 4 CARS GRADE AA: 2 @ \$1.1600, 1 @ \$1.1550, 1 @ \$1.1500; BIDS UNFILLED: 1 CAR GRADE AA @ \$1.1500; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.1575

**CME CASH NONFAT DRY MILK:** Extra Grade closed the week at \$0.8900 and Grade A at \$0.8875. (The last price change for Extra Grade was January 24 and Grade A occurred February 1.) The weekly average for Extra Grade is \$0.8900 (N.C.) and Grade A is \$0.8875 (N.C.).

## BUTTER MARKETS

## FEBRUARY COLD STORAGE

According to NASS, February month-ending cold storage figures for butter total 151.7 million pounds, 36.8% more than last February and 37.8% more than January 2006.

## NORTHEAST

Butter market is unsettled. After the CME butter price increased several consecutive sessions since March 9, the trading level for butter has declined (through 3/20) two straight sessions. Despite a slight improvement in spot demand for Class II cream, butter makers are still being offered heavy volumes of excess cream. Also, last Friday's February Milk Production report (+5.9% from last February) indicates a high probability of continued increasing volumes of milk and cream in coming months. Demand for both bulk and packaged butter is seldom better than fair. Foodservice orders are steady while retail sales remain slow to fair. Sales of bulk butter f.o.b. East, are reported in a range from flat market to 3.0 cents over the CME price/average.

## CENTRAL

The cash butter price continues to adjusted higher and lower with the current trend on the down side. At midweek, the current cash price of \$1.1550 is the lowest since September 2003. Following the recent release of the February milk production report, many butter producers feel that milk and cream volumes will remain plentiful to them as the spring milk flush builds. Some indicate that surplus cream offerings, above and beyond regular sources, are slightly lower, but with the strong milk production report, they feel that regular sources will still be able to fill their needs. Class II cream demand is increasing as production of cream based holiday items such as cream cheese, sour cream, and bottled cream build. Butter producers state that this Class II demand will decline shortly, but ice cream

production will continue to increase. Butter demand is mixed. Some handlers and traders state that orders remain quite strong, while others indicate that the Easter/Passover demand has ended. Retail feature activity continues to be reported in the Central part of the country. This week, a grocery chain is offering 1# prints at two for \$3.00. Food service orders remain fair. Bulk butter for spot sale is being reported in the flat – 2 cents per pound over various pricing basis.

## WEST

Cash butter prices at the CME have declined recently to stand at \$1.1550 at midweek. Prices have not been this low since September 2003. The same scenario that has played out since the holiday sales period continues. Cream offerings are very heavy leading to additional butter offerings facing slow demand. Stocks of bulk butter are building. Sellers are concerned that they are not seeing additional retail promotional activity. The price level would seem to be good to foster added sales activity, but there is not much new activity yet. The issue is that time is fast running out on ordering and shipping butter for late breaking promotions. Contacts are concerned that the market could decline further when all Easter sales activity is completed because of the heavy production. Last week, CME warehouse stocks grew by 2.2 million pounds, the smallest weekly increase in 10 weeks. Stocks now stand at 108.6 million pounds compared to 63.4 million pounds last year and 93.5 million pounds in 2004 for week 12. The CWT program has exported 1.8 million pounds of butter during 2006. U.S. Cold Storage holdings of butter at the end of February total 151.7 million, up 37% or 40.8 million pounds from last year. Stocks during February grew by 41.6 million pounds compared to a 7 year average growth rate of 25.9 million pounds. Prices for bulk butter range from 2 cents under to 5 cents under based on the CME with various time frames and averages.

## NASS DAIRY PRODUCT PRICES

## U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	38% MOISTURE BARRELS			
MARCH 18	1.1405	1.1263	0.8582	1.1524	0.3388
	8,930,952	9,864,167	25,332,715	2,860,827	11,620,666

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

## CHEESE MARKETS

## NORTHEAST

Prices moved higher for the second consecutive week. The market tone is weak, but improving showing some improvement for anticipated Easter and Passover needs. Cheese production remains heavy in the Northeast where surplus milk volumes approach spring flush levels. Most contacts feel that milk volume will remain heavy through early summer and are planning plant operations accordingly. Cheese stocks are more than ample to cover current needs. Demand for cheese is fair to good for mozzarella; just steady for most other types. A normal improvement in orders for Passover and Easter is being noted, but in light of growing milk production and cheese output, these improvements are doing little to reduce cheese inventories. Retail sales and food service orders are mostly steady.

WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.2625-1.7825
Cheddar Single Daisies	:	1.2200-1.7050
Cheddar 40# Block	:	1.3200-1.5925
Process 5# Loaf	:	1.3400-1.5800
Process 5# Sliced	:	1.3600-1.5875
Muenster	:	1.3350-1.5350
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

## MIDWEST

The cheese market is steady, though with a cautious to weak undertone. More plant operators have announced minimum price floor policies rather than use the Chicago Mercantile Exchange cash prices to their bulk cheese customers. Current natural interest is moderate with best interest for consumer/food service convenience products such as shreds and sliced. Usually, at lower price levels, store brands/generic products "outsell" branded products and this year is no exception for many packagers. Promotional activity and interest is light to spotty on natural chunks. Mozzarella interest continues strong. Process interest remains fair as some processors wait for the normal spring demand improvement. Cheese production remains seasonally heavy. Milk volumes are steady to occasionally higher with cheese yields lower and, occasionally slightly below, normal. The Kansas City Commodity Office issued invitations on March 21 seeking offers to sell to CCC between 25.2 - 72.5 million pounds of mozzarella; between 15.2 - 57.7 million pounds of process; and between 15.9 - 36.2 million pounds of natural American for July 2006 - June 2007 delivery for school lunch and other feeding programs. This compares to the 2005/2006 initial inquiries for 32.5 - 65.3 million pounds of mozzarella; 24.1 - 61.3 million pounds of process; and 13.6 - 32.4 million pounds of natural American cheese. Offers are due April 4 with the scheduled release of results on April 10.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.4000-1.7400
Brick And/Or Muenster 5#	:	1.6900-1.7250
Cheddar 40# Block	:	1.5275-2.2650
Monterey Jack 10#	:	1.6900-2.2650
Blue 5#	:	2.0300-2.3700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.3550-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.4050-2.8400

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS  
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

## BUTTER : CHEESE

03/20/06	33,238	:	132,048
03/01/06	30,370	:	132,576
CHANGE	2,868	:	-528
% CHANGE	9	:	N.C.

## WEST

Block cheese prices at the cash CME market have been above \$1.18 since March 10 and were at \$1.1850 at midweek. Some contacts are surprised at this of price stability with the amount of milk in the system. Some operations are attempting to limit the amount of cheese they are currently producing and others do not have a choice about how much they produce. The market in the West for top quality cheese for both barrels and blocks seems to be in relatively close balance. Neither side of the equation is complaining about offerings or demand. Under grade cheese is not backing up in the system, but is clearing in a timely fashion at a discount. Swiss sales are closely balanced. Some mozzarella continues to go into and out of the freezer as demand and production dictate. Overall, the comment continues to be that there is an awful lot of milk in the system for mid-March. U.S. American cheese *Cold Storage* holdings at the end of February total 548.5 million pounds, up 9% (43.5 million pounds) from last year. Stocks during February grew by 15.6 million pounds, below the average growth of the last few years.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND  
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.2825-1.5400
Cheddar 40# Block	:	1.3000-1.6525
Cheddar 10# Cuts	:	1.4800-1.7000
Monterey Jack 10#	:	1.4900-1.6500
Grade A Swiss Cuts 6 - 9#	:	2.3500-2.7000

## FOREIGN

Prices are unchanged to higher and the market tone is steady. Stocks are generally adequate to cover the slow to fair demand. During the first two months of 2006, imports of cheese subject to licensing totaled 18.96 million Kg., 18.1% less than the same period last year. However, imports of higher (subject to penalties) totaled 2.2 million Kg., 43.4% more than the first two months of 2005.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK  
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	TFEWR	-0-
Blue	2.6400-4.4300	1.5750-3.0650*
Gorgonzola	3.6900-5.9400	2.0850-2.4900*
Parmesan (Italy)	TFEWR	2.9900-3.0950*
Romano (Italy)	2.1000-3.1900	-0-
Provolone (Italy)	3.4400-6.0900	1.5750-1.8125*
Romano (Cows Milk)	-0-	2.7725-4.9150*
Sardo Romano (Argentina)	2.8500-3.2900	-0-
Reggianito (Argentina)	2.6900-3.2900	-0-
Jarlsberg-(Brand)	3.1200-4.1500	-0-
Swiss Cuts Switzerland	-0-	2.4500-2.6500
Swiss Cuts Finnish	2.5900-2.8500	-0-
Swiss Cuts Austrian	TFEWR	-0-
Edam	:	:
2 Pound	TFEWR	-0-
4 Pound	2.1900-3.5600	-0-
Gouda, Large	TFEWR	-0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	27.8000-31.7000	-0-

\* = Price change.



## FLUID MILK AND CREAM

## EAST

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	125	0	112	0	196
SOUTHEAST STATES	0	0	0	0	0	0

The base price for Class I milk for April 2006 is \$11.22, down \$1.27 from March. A Class I differential specific to each pricing point (county) is added to the base price to determine the applicable Class I price. The Class II skim milk price for April is \$7.28, down \$.34 from March. Milk production continues to increase in most parts of the region. In Florida and other Gulf Coast States, the milk flow is increasing, but at a slightly slower rate. This week's storms across the mid-South and Middle Atlantic areas didn't impact milk output too much, but some delays in farm pick ups and other hauling schedule changes due to hazardous road conditions were noted. In New York and New England, milk production is slowly increasing along typical seasonal patterns. Fluid milk supplies through the East are burdensome and manufacturing plant capacities are being tested. Contacts feel that the spring flush has come early and they expect it to "hang around" for some time. Class I milk sales are steady to slower. Spring breaks are underway, which is impacting bottled milk sales/consumption. Most of Florida's schools and schools in other Southeastern states are on vacation. This is pushing more surplus milk out of Florida and slowing the contracted in shipments of some handlers. Manufacturing plants in the Southeast are generally full. Contacts at Northeastern plants say they have some room for more milk, but are trying to keep processing schedules where they are, for now. The condensed skim market is reported as steady and loads are a "tough sell" at current prices. Spot buyers are looking for discounted prices as supplies increase and prices for NDM decline into the \$.80's. The fluid cream market is mixed. Some contacts see improvement in demand and want to push multiples higher, while others still see excessive supplies and buyers resisting any increases to multiples. Suppliers have extra loads to move and there are continued sales to butter makers. Some improved interest in Class II product output was seen last week, but that interest seemed to wane this week, particularly as prices/multiples inched higher. There was an increase in the CME butter average last week, but early-week trading indicates this week's average will likely be lower. Ice cream output ranges from steady to slightly improved. Production of bottled cream, sour cream, dips, and cream cheese all seemed to have leveled off after last week's reported increases. Churning activity remains moderate to heavy.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

## SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.3461-1.5217
DELIVERED EQUIVALENT ATLANTA	-	1.3578-1.5217 M 1.4046-1.4631
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.3812-1.4631

## PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

## F.O.B. PRODUCING PLANTS:

NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	.9500-1.0400
NORTHEAST- CLASS III - SPOT PRICES	-	.9300-1.0400

## MIDWEST

Class I interest was steady to frequently lighter, particularly where schools were closed for spring break. A large late winter storm dumped upwards of 1 - 2 feet of snow on parts of the Central Plains, closing some Interstate highways and schools. Planned/normal milk pickup and distribution patterns were also interrupted. Milk supplies remain seasonally heavy with attractively priced volumes available both locally and from the South to interested and semi-interested milk buyers. Reported local area spot milk prices range from around flat class to about +\$.50 over class. Some offers of fluid supplies -\$.50 to -\$1.50 below class for short and multi-month deals were reported from Southern sources. Production of sour cream and dips increased though ice cream production was fairly steady. A few ice cream makers are not trying to build large inventories under the expectation that cream and milk supplies will remain heavy until at least summer. Others are busy trying to build inventory and/or add promotions. Current milk intakes are about steady to occasionally slightly higher. Fat and protein tests are lower. Most plant operators in the upper Midwest have discontinued adding new producers due to growing concern with having adequate plant capacity to handle current patrons until summer. With adequate lead time, readily available supplies allow them to purchase spot milk as needed. Plants are already operating on extended spring schedules. Producer phone calls voicing displeasure with recent milk checks have increased. Estimated February milk production in selected Midwest states compared with February 2005, (all selected states show an increase)

and the percent increase is: Wisconsin, 1.804 billion pounds, 76 million pounds (4.4%); Minnesota, 666 million pounds, 27 million pounds (4.2%); Texas, 570 million pounds, 75 million pounds (15.2%); Michigan, 542 million pounds, 31 million pounds (6.1%); Iowa, 326 million pounds, 19 million pounds (6.2%); and Indiana, 255 million pounds, 7 million pounds (2.8%).

## WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	MARCH 16 - 22	PREVIOUS YEAR
SLAUGHTER COWS	\$ 47.00- 54.50	\$ 54.00- 61.50
REPLACEMENT HEIFER CALVES	\$500.00-700.00	\$350.00-690.00

## SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	MARCH 16 - 22	PREVIOUS YEAR
SLAUGHTER COWS	\$ 44.00- 56.00	\$ 57.00- 65.00

## WEST

Milk production in the 23 selected states for February totals 13.0 billion pounds, up 5.9% from a year earlier. Cow numbers were up 121,000 head or 1.5%. Production per cow increased 66 pounds or 4.3%. Milk production changes for selected Western states are as follows: Arizona +6.0%, California +6.6%, Colorado +10.5%, Idaho +8.3%, New Mexico +17.2%, Oregon -1.1%, and Washington -1.4%. Cow numbers in these seven states grew by 97,000 head from last year. For California, the largest milk production state, February's output gain is the largest since August 2002. The February milk production report showed that California production increased 189 million pounds over February 2005. The increase equals or is greater than the total monthly production in 8 of the other 22 reporting states. This represents an increase of 6.75 million pounds per day over February 2005 levels. CALIFORNIA milk supplies continue to trend higher with some local areas seeing only slight, tempering effects from recent rains. The upwards trend in milk output continues to build and processors are concerned about handling the peak milk supplies this year. Plant capacities are being taxed and down days are being discouraged. Fluid milk demand is mainly flat with limited promotions. School and college needs are expected to fluctuate in the coming weeks as spring breaks begin at various times. ARIZONA milk production is trending higher along expected patterns. There have been some recent declines or tempering of the milk flow because of rain and wet conditions. These have been minor and the upward trend moves again higher with warmer and dryer weather. Daytime high temperatures are moving into the lower 80's and not yet impacting milk growth. Plants are running longer to process the available milk supplies. Milk from nearby states continues to be processed in the state. NEW MEXICO continues to deal with a growing milk supply. Surplus milk is being shipped to nearby and out of region processors to find a home. New processing capacity in the state has alleviated some of the stress, but the growing cow herds and improved milk per cow are creating a lot more milk. The February milk production increase of 17.2% is somewhat skewed because of poor conditions for milk cows in February 2005. February 2006 total milk compared to February 2004 is up 8.1%. CREAM supplies remain heavy in the region, but pricing levels have stabilized. The deep discounts are not as prevalent whether measured as a discount in a state order or a lower multiple. Demand is fair for higher class cream-based items. Cream cheese and ice cream production are trending higher, but are still below most people's expectations. Seasonal item production is moving higher. Butter churning is active and printers are finishing holiday orders. The prospects after that are diminished. The CME butter price has declined 1.5 cents to close at \$1.1550 on Wednesday, March 22. Cream multiples range from 98 to 120 and vary depending on class usage and basing points. Some rain, and snow at elevation, continues to move into WASHINGTON and OREGON. The shower activity does not seem to be impacting the milk production all that much. The open feed lots are in pretty good shape now and not having an impact on the milk flow. Plants continue to run on extended schedules to process available milk supplies. Contacts indicate that milk producers are going through their annual financial reviews at their lending institutions. The stress of lower milk prices and higher costs are beginning to have more of an impact. Weather conditions in the dairy areas of UTAH and IDAHO are in spring patterns. Snow during part of the week, followed by rain, and then back again, is common. Milk output ranges from steady to heavier. Some contacts are wondering about plant capacity issues in the region as output growth is pegged above 8% in Idaho. Currently, most of the increase is caused by more cows and not by heavier output per cow. U.S. dairy cow slaughter for the first two months of the year trails last year by 10.2% and trails 2004 by an even larger amount. The top of the market at two heifer sales in the region ranged from \$1930-1990 for the most recent week and the average varied from \$1690-1890. These prices are not as low as recent weeks, but they are below levels seen early in the year. Contacts believe that culling rates will increase as milk prices fall and that heifer prices will also generally weaken.

**NDM, BUTTERMILK & WHOLE MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**NONFAT DRY MILK - CENTRAL AND EAST**

CENTRAL: Prices remain mostly unchanged on a weak market. With strong milk production throughout the region, milk intakes into plants are steady. Plants are running at capacity with increased low heat NDM production noted. Producers indicate that orders are somewhat improved as prices have settled. Lower prices are generally not anticipated unless NDM is moved to the CCC from Central region suppliers. With steady movement into brokerage firms and some end-use facilities, producers are not anticipating any movement to the CCC. Some buyers still remain hesitant in purchasing spot loads with some discontent noted in the growing disparity between contract prices and spot trade prices. High heat supplies are limited for the mostly contractual demand.

EAST: Prices are often lower and the market tone is weak. The NASS average NDM price for last week (the basis for most NDM sales) did decline about 1.5 cents. The continued heavy output and growing inventories are also prompting producers to lower prices in an effort to stimulate interest. Surplus milk volumes are heavier than expected for this time of year. Most contacts feel that our "early flush" could and will hold right through May and June. Therefore, they expect to have their plant capacity to be tested for the first half of the year. Last week's offering of Western NDM to CCC was expected by many in the trade, but through Wednesday (3/23) there have been no additional offers from any regions. Domestic and export demand is steady at best. Most buyers are looking for discounted prices before committing to large-volume purchases.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: .8300 - .9300 MOSTLY: .8300 - .8600  
 HIGH HEAT: .9100 - 1.0300

**NONFAT DRY MILK - WEST**

Prices are lower for low/medium heat NDM in the West. The market tone remains weak. Last weeks' support price offerings included sales at 80 cents and at 79.5 cents for x-bags. The expectation in the trade is that the support program will be used by producers as a tool to balance stocks. The extent will depend on the volume of exporting and drying. Current production levels are trending higher to process the heavy and building milk supplies. Index prices trended slightly lower last week and one reported index was down slightly this week. Demand for NDM has slowed. Buyers are making buys for immediate needs and not expecting much fluctuation in market prices in the near future. Resellers are offering out loads at reduced prices to keep their commitments moving. Stocks are moderate to heavy and often building. During the week of March 13 - 17, the CCC purchased 1,306,646 pounds of NDM from the West, the first support price purchase since November 2004. High heat prices are lower and reflect changes in index prices and lower low/medium heat prices. Offerings are light to moderate, but some restrictions are being put in by some producers to only service contracts. This is needed because milk intakes are heavy and not allowing for dryer times for anything besides low heat powder. Stocks should be able to handle current needs.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: .7950 - .8800 MOSTLY: .8100 - .8200  
 HIGH HEAT: .8350 - .9125

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
March 17	\$.8469	14,545,579	0
March 10	\$.8496	8,521,815	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

**DRY BUTTERMILK - CENTRAL**

Prices are lower on a weak market. With heavy milk production, butter churns remain active. Increasing amounts of condensed buttermilk are being produced with manufacturers offering loads as much as 30 cents below market for movement into dryers. Dry buttermilk production is steady with stocks building. Dry buttermilk remains a "tough sell" into export markets with domestic trade fair at best and mostly contractual.

F.O.B. CENTRAL: .7500 - .8275

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices are generally unchanged and the Northeast prices remain nominal. Few spot sales have been reported. Dry buttermilk output is growing and plant stocks are accumulating. Reports of lower prices in the Central and Western regions are common and may have a growing impact on Eastern producer prices. Production remains heavy as churning activity is little changed from past weeks.

F.O.B. NORTHEAST: .8200 - .8400  
 DELVDSOUTHEAST: .8200 - .8500

**DRY BUTTERMILK - WEST**

Western dry buttermilk prices continue to trend lower in light to moderate trading. The market tone is weak. Buying interest is slow to redevelop even as pricing levels decline. There appears to be little seasonal buying interest being shown currently. Offerings are available at the producer level and from resellers. Production levels are heavy and reflect the increased butter churning. Stocks remain heavy in the region.

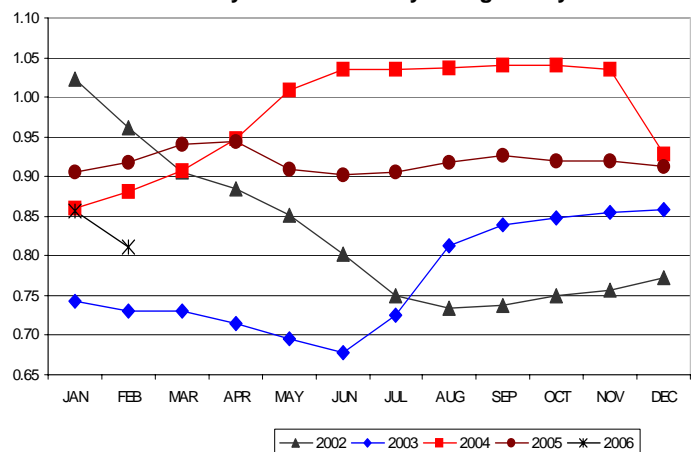
F.O.B. WEST: .6800 - .7900 MOSTLY: .6900 - .7500

**DRY WHOLE MILK - NATIONAL**

Prices are steady to lower and nominal. The market tone is unchanged. Production levels are light. Most dryers are busy processing skim and will usually only make dry whole milk when orders are received. Demand is seasonally slow to fair. Plant stocks are light.

F.O.B. PRODUCING PLANT: 1.1800 - 1.2400

U.S. \$ Per Pound **Western Dry Buttermilk Monthly Average Mostly Prices**



**WHEY, CASEIN & EVAPORATED MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**DRY WHEY - CENTRAL**

Prices are lower on a weak market. Prices are noted at a discount into export markets and steady to lower into domestic markets. Prices are most attractive for multiple load deals. Due to record high price trends during the last several months, buyers are reluctant to pick-up contractual orders or purchase spot loads as prices are expected to decline. As a result, manufacturer stocks are building. With steady flows of condensed whey directed into dryer facilities, some plants are attempting to re-direct condensed whey supplies to other end-users in an attempt to reduce output. Demand for condensed whey is light. Supplies of feed grade whey are available at a few locations. Buyer trends for feed grade whey are comparable to the Extra Grade whey market in light of the weak undertone.

F.O.B. CENTRAL: .2950 - .3300 MOSTLY: .3000 - .3225  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2900 - .3075

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Prices are mostly lower and remain nominal in the Northeast. The market tone is weak. Eastern producers report that the continued heavy cheese and dry whey production, coupled with lackluster demand is growing their stocks. Contract sales are clearing normal volumes, but some producers are eager to have loads picked up to create room in their warehouses. Traders with purchase contracts are often selling loads at a loss to keep from building their own inventories. The resale market is highly competitive and buyers are taking full advantage of the situation. While prices decline, most spot buyers have stepped away from the market to wait for prices to "find the bottom." Export interest is steady at best.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3275 - .3700  
DELVD SOUTHEAST: .3475 - .3600

**DRY WHEY - WEST**

The Western whey price range held steady this week, but the mostly declined. Producers and brokers are being aggressive in making sure that powder keeps moving and does not end up in the warehouse as prices are tending to weaken. For the most part, they seem to be successful. Inventories don't seem to be building. Production is somewhat mixed as some cheese plants are attempting to limit cheese output as prices there also falter. Other cheese plants have to run at capacity to process the available milk supplies.

NONHYGROSCOPIC: .3100 - .3600 MOSTLY: .3150 - .3400

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are lower on a weak market. Offerings remain heavy. Some buyers are receiving offers at a discount on multiple loads to be moved during second quarter or for the remainder of the year. Buyers are often tentative in purchasing loads as prices are anticipated to move lower. As a result, contractual users are slow to pick-up their loads, encouraging stocks to build at manufacturer warehouses. Canadian supplies of WPC 34% are readily available and competitive with the U.S. market. With prices moving lower, some renewed export interest is noted. WPC 80% remains a competitive substitute to WPC 34% for users that can adapt formulations. Variant supplies of off grade 34% and 80% from domestic and imported sources are available for the light feed interest.

F.O.B. EXTRA GRADE 34% PROTEIN: .6225 - .7025 MOSTLY: .6500 - .6900

**LACTOSE - CENTRAL AND WEST**

Prices remain unchanged on a firm market. Some discussions of second quarter contracts are occurring. Some buyers are noting that contract suppliers for first quarter will not be able to supply equivalent amounts for second quarter. Offering prices are generally 1 to 2 cents above contractual prices reported last quarter. Production is mostly steady. Inventories are tight with some producers delaying contractual loads in order to balance supplies. Feed interest remains fairly good but demand may dissipate with increasing supplies of dry whey permeate. Off grade supplies of lactose are limited and short of buyer interest.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .2200 - .2800 MOSTLY: .2300 - .2550

**CASEIN - NATIONAL**

Casein markets and prices are unsettled as a new quarter nears. Traders, handlers, and buyers anticipate that prices will trend lower as the second quarter begins. Some buyers continue to indicate that lower priced rennet and acid are in the marketplace, but remain hesitant to take advantage of the offerings. Production source and quality continue to be the two major concerns for them. At this point, many suppliers indicate that stocks should be available to fully satisfy customer needs, but also state that domestic buyer needs have edged lower. Some previous casein buyers have reformulated their products to include other protein sources and are not as dependent on casein imports as they have been in the past.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

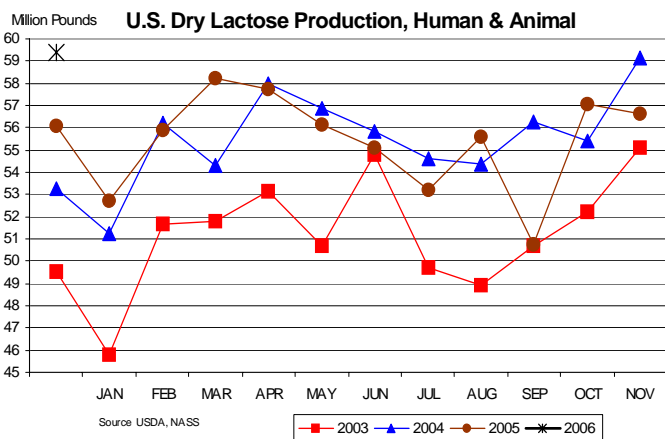
RENNET: 3.1500 - 3.2700  
ACID: 3.0800 - 3.2700

**EVAPORATED MILK - NATIONAL**

Prices are generally higher. Producers have instituted the higher prices in response to the growing energy, labor, packaging, and freight costs. Buyers will generally have a "buy-in" period, which will allow many retailers to stock up for Easter needs before the new prices go into effect. The market remains highly competitive. Production levels are moderate to heavy and most producers have ample volumes of milk available to them. Retail sales are slow to fair.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$21.20 - 36.00

Excluding promotional and other sales allowances. Included new price announcements.



## MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

All stocks in thousand pounds except where otherwise indicated

## U.S. HOLDINGS OF DAIRY PRODUCTS

COMMODITY	JAN 31, 2004	JAN 31, 2005	REVISED JAN 31, 2006	FEB 29, 2004	FEB 28, 2005	FEB 28, 2006
Butter	152,448	77,219	110,072	159,066	110,876	151,678
Cheese, Natural American	518,113	484,227	532,873	532,616	504,979	548,524
Cheese, Swiss	25,244	26,010	27,938	25,356	27,462	29,892
Cheese, Other Natural	213,575	203,562	189,659	208,118	191,240	196,612
Total Cheese	756,932	713,799	750,470	766,090	723,681	775,028

## U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS

Butter	1,258	108	241	1,209	100	156
Natural American Cheese	9,616	3,738	269	9,616	2,694	273

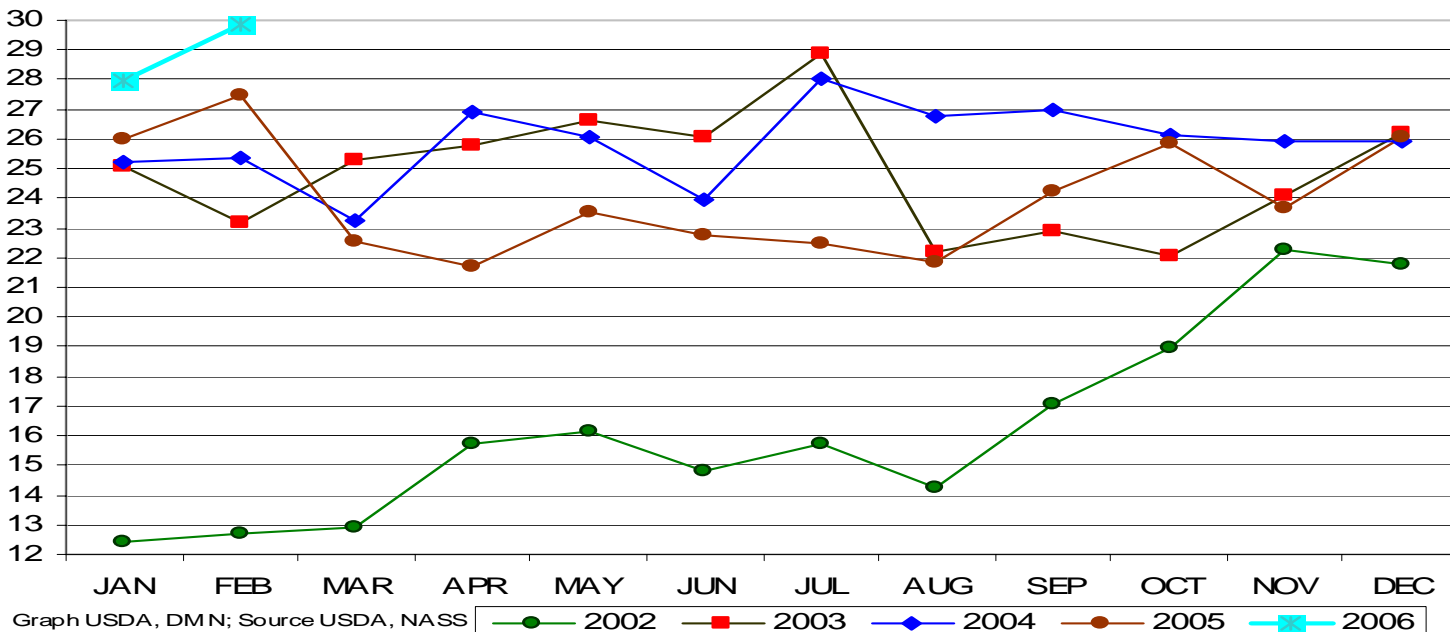
## FEBRUARY STORAGE HOLDINGS BY REGION

REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
New England	23,492	29,904	36,594	---	---	---	368	333	33
Middle Atlantic	51,474	47,743	48,931	---	---	---	14,986	9,116	10,987
East North Central	205,666	203,436	206,152	---	---	---	121,601	116,494	118,736
West North Central	120,317	110,831	120,297	---	---	---	51,305	47,261	48,847
South Atlantic	5,894	4,038	3,368	---	---	---	1,247	100	106
East South Central	137	78	366	---	---	---	2,285	2,225	2,499
West South Central	2,334	1,568	2,659	---	---	---	89	163	319
Mountain	23,499	27,209	37,395	---	---	---	4,263	5,674	646
Pacific	99,803	80,172	92,762	---	---	---	11,974	9,874	14,439
TOTAL	532,616	504,979	548,524	159,066	110,876	151,678	208,118	191,240	196,612

\*Regional breakdowns are not reported to avoid possible disclosure of individual operations.

## U.S. SWISS CHEESE COLD STORAGE HOLDINGS

Million Pounds



## COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2005 TO DATE

Month	Butter						Natural American Cheese						Nonfat Dry Milk					
	Total <u>1/</u>		Commercial		Government		Total <u>1/</u>		Commercial		Government		Total <u>1/ 2/</u>		Commercial		Government <u>2/</u>	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	Million Pounds						Million Pounds						Million Pounds					
January	110	77	110	77	<u>3/</u>	<u>3/</u>	533	484	533	480	<u>3/</u>	4	180	440	114	83	65	357
February	152	111	152	111	<u>3/</u>	<u>3/</u>	549	505	548	502	<u>3/</u>	3		374		79		296
March		132		132	<u>3/</u>	<u>3/</u>		527		526		2		321		84		236
April		165		164	<u>3/</u>	<u>3/</u>		554		552		2		276		108		168
May		178		178	<u>3/</u>	<u>3/</u>		583		582		1		259		113		147
June		180		179	<u>3/</u>	<u>3/</u>		590		590		<u>3/</u>		NA		116		NA
July		177		177	<u>3/</u>	<u>3/</u>		603		603		1		235		120		116
August		149		149	<u>3/</u>	<u>3/</u>		582		581		1		177		110		67
September		124		124	<u>3/</u>	<u>3/</u>		555		554		1		182		95		87
October		98		98	<u>3/</u>	<u>3/</u>		542		541		1		163		89		74
November		60		60	<u>3/</u>	<u>3/</u>		517		516		1		159		89		70
December		59		59	<u>3/</u>	<u>3/</u>		537		537		<u>3/</u>		183		114		69

NA = Not available.

1/ Total may not add due to rounding. 2/ Includes instant nonfat dry milk. 3/ Less than 500,000 lbs.COMMERCIALLY OWNED COLD STORAGE HOLDINGS FOR THE UNITED STATES 1/

Commodity	Jan 31, 2004	Jan 31, 2005	Jan 31, 2006	Feb 29, 2004	Feb 28 2005	Feb 28, 2006
	Thousand Pounds					
Butter	151,190	77,111	109,801	157,857	110,776	151,522
Natural American Cheese	508,497	480,489	532,604	523,000	502,285	548,251

1/ Total holdings minus Government owned holdings. For more information, see page 7 of this report.

**SOURCE:** "Cold Storage," Co St 1 (3-06) and "Dairy Products," Da 2-6 (3-06), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Farm Service Agency.



**FEBRUARY MILK PRODUCTION**

Milk production in the 23 major States during February totaled 13.0 billion pounds, up 5.9 percent from February 2005. January production, at 14.0 billion pounds, was up 5.5 percent from January 2005.

Production per cow in the 23 major States averaged 1,588 pounds for February, 66 pounds above February 2005.

The number of cows on farms in the 23 major States was 8.21 million head, 121,000 head more than February 2005, and 118,000 head more than January 2005.

**FEBRUARY 2006 MILK COWS AND MILK PRODUCTION, BY STATES**

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2005	2006	2005	2006	2005	2006	% CHANGE FROM 2005
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	164	166	1,840	1,930	302	320	6.0
CA	1,742	1,781	1,635	1,705	2,848	3,037	6.6
CO	100	106	1,720	1,795	172	190	10.5
FL	139	134	1,475	1,440	205	193	-5.9
ID	437	473	1,680	1,680	734	795	8.3
IL	105	104	1,500	1,540	158	160	1.3
IN	155	162	1,600	1,575	248	255	2.8
IA	190	200	1,615	1,630	307	326	6.2
KS	109	111	1,575	1,620	172	180	4.7
KY	110	101	1,000	1,050	110	106	-3.6
MI	308	314	1,660	1,725	511	542	6.1
MN	455	450	1,405	1,480	639	666	4.2
MO	117	114	1,230	1,320	144	150	4.2
NM	320	344	1,560	1,700	499	585	17.2
NY	650	649	1,415	1,485	920	964	4.8
OH	267	273	1,370	1,390	366	379	3.6
OR	120	121	1,460	1,430	175	173	-1.1
PA	560	555	1,420	1,550	795	860	8.2
TX	317	325	1,560	1,755	495	570	15.2
VT	143	143	1,430	1,450	204	207	1.5
VA	105	103	1,345	1,410	141	145	2.8
WA	237	236	1,805	1,790	428	422	-1.4
WI	1,234	1,240	1,400	1,455	1,728	1,804	4.4
23 STATE TOTAL	8,084	8,205	1,522	1,588	12,301	13,029	5.9

1/ Includes dry cows. Excludes heifers not yet fresh.

2/ Excludes milk sucked by calves.

**SOURCE:** "Milk Production," Da 1-1 (3-06), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

## THE DAIRY OUTLOOK

**Milk Production Increase** - First-quarter milk production is forecast to increase just under 5 percent over 2005—2 percentage points over the 5-year average. The increase in production has been aided by an unusually mild winter, adequate forage/ hay supplies, and relatively inexpensive feed ration inputs. Higher fat tests and unseasonably heavy milk per cow have also been observed in 2006. These data may suggest an uncharacteristic bunching in the calving cycle that could result in a proportionally larger number of cows at peak lactation, contributing to the relatively larger-higher first-quarter production, while the higher fat tests boost milkfat supplies. Following surprisingly weak fourth-quarter commercial use, processors are now faced with larger-than-usual milk supplies to handle in the first quarter.

On an annual basis, milk production is forecast to be slightly less than 3 percent over that of 2005. Producers appear to be maintaining their herd expansion push. Replacement prices have dropped into the low \$1800's, down from recent record levels, but are still historically high. The recent years of positive returns and the need to operate larger more capital-intensive dairy facilities near capacity, are additional factors behind the herd expansion. Dairy product use is expected to absorb most of the production increase, but commercial stocks likely will be above last year.

**Dairy Product Use Increasing but Growth May Lag Production Gains** - Cream volumes have remained large and pushed stocks of butter and other fat-based products above 2005 levels. Butter prices have been below \$1.20 per pound since the end of February with some firming indicated, but orders for Easter/Passover have been slow to develop as buyers likely seek more market direction. Commercial disappearance of fat-based products is forecast in the first quarter to increase to 43.9 million pounds, or over 4 percent above 2005.

Skim-solid stocks are also expected to build as relatively robust growth in commercial use lags behind production growth. Nonfat dry milk (NDM) prices have fallen to the mid-80-cents-per-pound range. Large quantities of nonfat dry milk were exported in 2005, but so far in 2006, the pace of U.S. NDM exports has lagged behind last year as buyers hope for further price declines. Annual commercial disappearance is forecast to increase at just over 2 percent for the year, but around 100 million pounds of NDM may be offered to the Commodity Credit Corporation (CCC). Whey has been a bright spot, as strong domestic and export movement has supported prices.

**Milk Prices Declining** - With the momentum that is already built into milk supplies and the uncertainty surrounding demand at current price levels, it is expected that the all-milk price will average \$12.75 to 13.35 per cwt, about \$2 per cwt below 2005. Product prices are likely to decline as large supplies of milk are expected to pressure prices despite a continuation of relatively strong demand.

Declines in butter and cheese prices may moderate toward mid-year as overhanging stocks are worked down and then begin to slowly move upward in the second half of the year. However, prices will average below 2005. Nonfat dry milk prices are likely to remain relatively weak through most of the year.

**SOURCE:** "Livestock, Dairy, and Poultry Outlook", LDP-M-141, March 17, 2006, Economic Research Service, USDA. For more information, contact George Wallace, (202) 694-5428.

Note: Jim Miller, long-term author of the "Dairy Outlook and Situation", retired in March after 33 years of federal service.

## FEDERAL MILK ORDER ADVANCE PRICES, APRIL

**Class I Base Price** - Under the Federal milk order pricing system, the Class I base price for April 2006 is \$11.22 per cwt. This price is derived from the advanced Class III skim milk pricing factor of \$7.02 and the advanced butterfat pricing factor of \$1.2715. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Comparison to Previous Month** - Compared to March 2006, the Class I base price decreased \$1.27 per cwt. For selected consumer products, the price changes are: whole milk (3.25% milk fat), - \$1.25 per cwt., -\$0.107 per gallon; reduced fat milk (2%), - \$1.12 per cwt., - \$0.097 per gallon; fat-free (skim milk), -\$0.98 per cwt., -\$0.085 per gallon. **Class II Price Information** - The advanced Class IV skim milk pricing factor is \$6.58. Thus, the Class II skim milk price for April is \$7.28 per cwt., and the Class II nonfat solids price is \$0.8089. **Product Price Averages** - The two-week product price averages for April are: butter \$1.1746, nonfat dry milk \$0.8789, cheese \$1.1686, and dry whey \$0.3478.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION <u>1/ 2/</u>				
Federal Milk Order Marketing Area <u>3/</u>	Order Number	April 2006		
		Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		<u>\$ per cwt.</u>	<u>\$ per cwt.</u>	<u>\$ per pound</u>
Northeast (Boston) <u>4/</u>	001	14.47	10.27	1.3040
Appalachian (Charlotte) <u>5/</u>	005	14.32	10.12	1.3025
Southeast (Atlanta) <u>6/</u>	007	14.32	10.12	1.3025
Florida (Tampa) <u>7/</u>	006	15.22	11.02	1.3115
Mideast (Cleveland) <u>8/</u>	033	13.22	9.02	1.2915
Upper Midwest (Chicago) <u>9/</u>	030	13.02	8.82	1.2895
Central (Kansas City) <u>10/</u>	032	13.22	9.02	1.2915
Southwest (Dallas) <u>11/</u>	126	14.22	10.02	1.3015
Arizona-Las Vegas (Phoenix) <u>12/</u>	131	13.57	9.37	1.2950
Pacific Northwest (Seattle) <u>13/</u>	124	13.12	8.92	1.2905
All-Market Average		13.87	9.67	1.2980

1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. 2/ Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table. 3/ Names in parentheses are the major city in the principal pricing point of the markets. 4/ Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25, and Washington, DC, minus \$0.25. 5/ Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90. 6/ Class I prices at other cities are: New Orleans; plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, Mo., minus \$0.90. 7/ Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$0.30. 8/ Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20. 9/ Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10. 10/ Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver plus \$0.55. 11/ Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75. 12/ Class I price at Las Vegas is minus \$0.35. 13/ Class I prices at other cities are: Portland, same; and Spokane, same.

## FEDERAL MILK ORDER PRICE AND POOL SUMMARY, FEBRUARY

Handler reports of receipts and utilization under the Federal milk order system for February have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During February, about 9.7 billion pounds of milk were received from producers. This volume of milk is 40.8 percent higher than the February 2005 volume. In February 2005, there was a significant volume of milk not pooled due to intraorder disadvantageous price relationships. About 3.5 billion pounds of producer milk were used in Class I products, 0.7 percent higher than the previous year. Calendar composition had no impact on milk used in Class I in 2006 as compared to 2005. The all-market average Class utilizations were; Class I = 36%, Class II = 12%, Class III = 39%, and Class IV = 13%. The weighted average statistical uniform price was \$13.55 per cwt., \$0.73 lower than last month and \$1.61 lower than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF FEBRUARY 2006										
FEDERAL MILK ORDER MARKETING AREA <u>1/</u>	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE <u>2/</u>
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	1,833.6	1.4	811.4	-3.3	44	19	22	15	14.25
Appalachian (Charlotte)	005	489.8	-0.1	329.0	-0.2	67	15	4	14	15.01
Southeast (Atlanta)	007	673.1	11.8	374.5	2.0	56	11	22	11	14.71
Florida (Tampa)	006	261.9	-1.0	215.6	3.0	82	7	5	6	16.34
Mideast (Cleveland)	033	1,389.8	16.8	524.2	2.5	38	15	40	7	13.28
Upper Midwest (Chicago)	030 <u>3/</u>	2,057.0	230.3	351.8	0.9	17	6	74	3	12.68
Central (Kansas City)	032	1,226.4	69.8	345.4	2.1	28	11	50	11	12.91
Southwest (Dallas)	126	889.6	58.2	334.4	3.3	38	13	25	24	13.73
Arizona-Las Vegas (Phoenix)	131	253.4	8.9	81.9	4.0	33	8	35	24	13.03
Pacific Northwest (Seattle)	124	605.7	58.1	162.7	1.8	27	6	32	35	12.60
<b>ALL MARKET AVERAGE OR TOTAL</b>	<u>3/</u>	9,680.3	40.8	3,531.1	0.7	36	12	39	13	13.55

1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Due to a disadvantage relationship between intraorder class prices and the location adjusted statistical uniform (blend ) price in this market, handlers elected not to pool an administratively confidential volume of milk, that normally would have been associated with this market. In February 2005, the estimated not poled volume of milk was 2.5 billion pounds, occurring in Order Nos. 005, 033, 030, 032, 126, and 124. After adjusting for these not-pooled volumes, the year to year percent change is +2.8%.



### ANNOUNCED COOPERATIVE CLASS I PRICES FOR SELECTED CITIES IN FEDERAL MILK ORDERS, APRIL 2006, WITH COMPARISONS 1/

For April 2006, the all-city average announced cooperative Class I price was \$15.61 per cwt., \$1.86 higher than the Federal milk order (FMO) Class I price average for these cities. This difference between the average cooperative price and the average FMO price is the largest on record. The April cooperative Class I price was \$1.12 lower than the March price, while the Federal order Class I price was \$1.27 lower. On an individual city basis, the difference between the Federal order and announced cooperative Class I price ranged from \$.15 in Phoenix, AZ, to \$3.56 in Miami, FL. For April 2005, the all-city average announced cooperative Class I price was \$18.20, \$1.54 higher than the Federal order Class I price average for these cities.

City	April 2006		
	Announced Cooperative Class I Price	Federal Milk Order Class I Price	Difference
	Dollars per hundredweight, 3.5% butterfat		
Atlanta, GA	16.91	14.32	2.59
Baltimore, MD	16.02	14.22	1.80
Boston, MA	15.97	14.47	1.50
Charlotte, NC	16.91	14.32	2.59
Chicago, IL	15.26	13.02	2.24
Cincinnati, OH	15.28	13.42	1.86
Cleveland, OH	15.08	13.22	1.86
Dallas, TX	16.07	14.22	1.85
Denver, CO	14.62	13.77	0.85
Des Moines, IA	14.77	13.02	1.75
Detroit, MI	14.87	13.02	1.85
Hartford, CT	15.87	14.37	1.50
Houston, TX	16.67	14.82	1.85
Indianapolis, IN	15.08	13.22	1.86
Kansas City, MO	14.96	13.22	1.74
Louisville, KY	16.01	13.42	2.59
Memphis, TN	16.41	14.02	2.39
Miami, FL	19.08	15.52	3.56
Milwaukee, WI	15.21	12.97	2.24
Minneapolis, MN	14.61	12.92	1.69
New Orleans, LA	17.21	14.82	2.39
Oklahoma City, OK	15.57	13.82	1.75
Omaha, NE	14.52	13.07	1.45
Philadelphia, PA	16.37	14.27	2.10
Phoenix, AZ	13.72	13.57	0.15
Pittsburgh, PA	15.57	13.32	2.25
St. Louis, MO	14.86	13.22	1.64
Seattle, WA	13.54	13.12	0.42
Springfield, MO	15.17	13.42	1.75
Washington, DC	16.02	14.22	1.80
Simple Average	15.61	13.75	1.86

1/ This table contains information obtained from the Class I price announcements sent by the major cooperative in each city market to all handlers who buy milk from them. These over-order prices include charges for various services performed by the cooperative. In some instances, these over-order prices may not include all credits that may be allowed. These prices have not been verified as having been actually paid by handlers.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF MARCH 20 - 24, 2006			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/05	SAME PERIOD LAST YEAR	WEEK ENDING 03/17/06	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	-0-	-0-	-0-	1,306,646	31,817,269	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Instant	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	1,306,646	31,817,269	-0-	-0-

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF MARCH 20 - 24, 2006 =	0.0	0.0	COMPARABLE PERIOD IN 2005 =	0.0	0.0
CUMULATIVE SINCE OCTOBER 1, 2005 =	0.3	15.2	CUMULATIVE SAME PERIOD LAST YEAR =	7.0	370.4
MULATIVE JANUARY 1 - MARCH 24, 2006 =	0.3	15.2	COMPARABLE CALENDAR YEAR 2005 =	0.0	0.0

\* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

\*\*Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF MARCH 20 - 24, 2006 (POUNDS)\*

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

\*THE DATES WERE INCORRECT ON LAST WEEK'S REPORT, THEY SHOULD HAVE BEEN March 13 - 17.

CCC ADJUSTED PURCHASES SINCE 10/1/05 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
CENTRAL	-0-	-0-	-0-	-0-	-0-	1,331,567	-0-	4.2
WEST	-0-	-0-	-0-	-0-	1,306,646	29,415,099	100.0	92.4
EAST	-0-	-0-	-0-	-0-	-0-	1,070,603	-0-	3.4
TOTAL	-0-	-0-	-0-	-0-	1,306,646	31,817,269	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 03/04/06 & Comparable Week 2005

Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL		% DAIRY OF ALL	
											WEEK SINCE JAN 1	WEEK SINCE JAN 1		
2006-Dairy	N.A.	0.5	6.0	2.4	15.1	2.5	0.4	N.A.	15.6	1.7	45.4	439.2	46.6	46.1
2005-Dairy	N.A.	0.7	5.8	2.5	13.3	3.1	0.8	N.A.	13.5	1.6	42.3	480.7	50.8	49.4
2006-All cows	N.A.	0.6	7.2	10.8	28.7	15.6	12.0	N.A.	17.2	2.2	97.5	951.8		
2005-All cows	N.A.	0.7	7.1	9.6	25.9	9.0	11.9	N.A.	14.5	1.8	83.3	972.7		

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87
2004	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14
2005	14.14	14.70	14.08	14.61	13.77	13.92	14.35	13.60	14.30	14.35	13.35	13.37

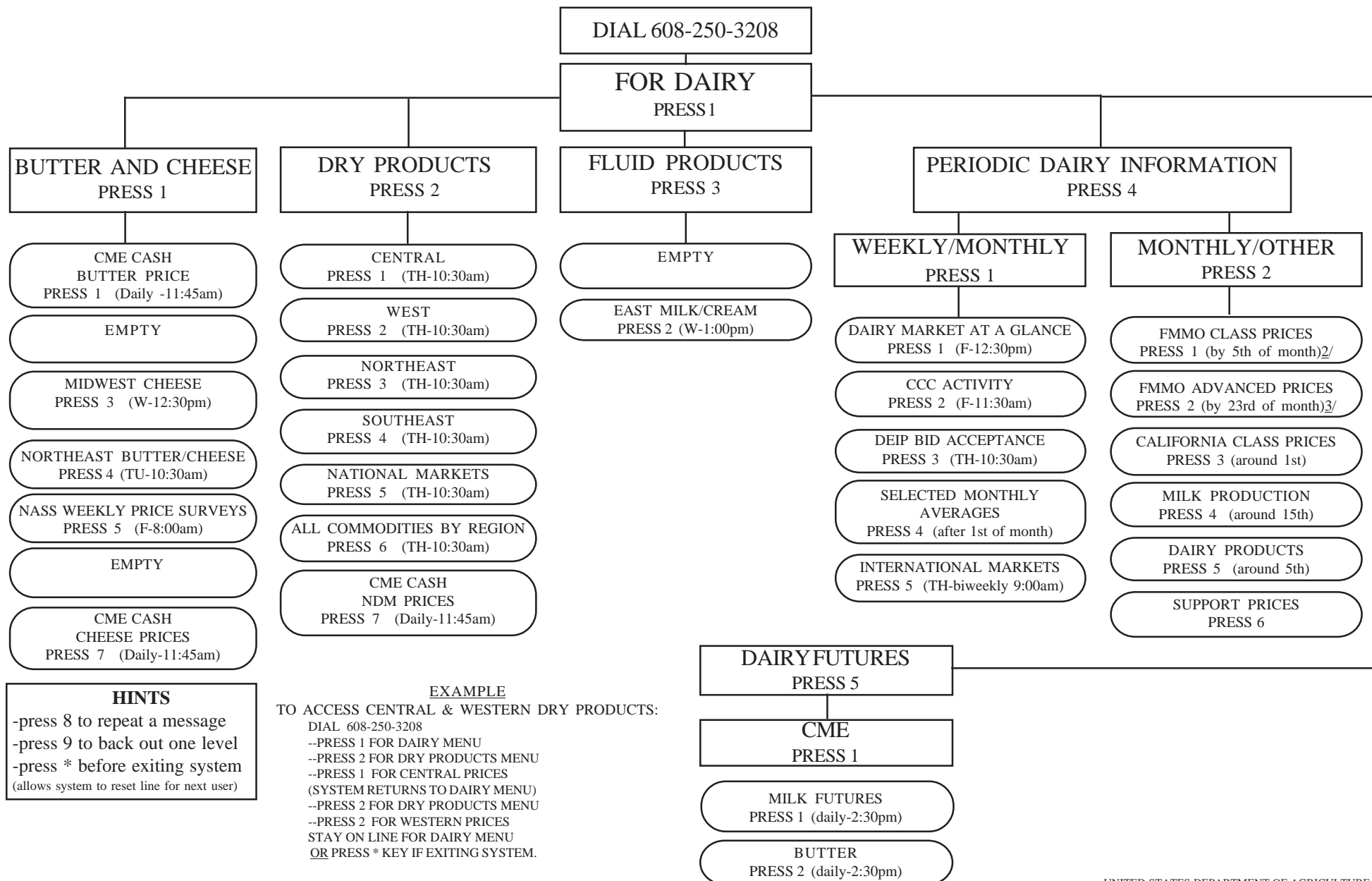
FEDERAL MILK ORDER CLASS PRICES FOR 2006 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	13.38	13.38	12.49	11.22								
II	13.25	12.62										
III	13.39	12.20										
IV	12.20	11.10										

1/ Specific order differentials to be added to this base price are located at [www.ams.usda.gov/dyfmoms/mib/cls\\_prod\\_cmp\\_pr.htm](http://www.ams.usda.gov/dyfmoms/mib/cls_prod_cmp_pr.htm)

# MARKET NEWS INFORMATION BY PHONE

The system is accessible via a touch-tone telephone. Recorded instructions prompt the caller in the use of the system. By listening to menus and pressing the appropriate numbers, you will have access to the latest market information. Please note that you do not have to listen to the entire menu before pressing your number choice. Use the flowchart below as a guide for accessing dairy information. Release day(s) and time (Central) are in parenthesis. <sup>1/</sup>



<sup>1/</sup> Holidays may affect release days and times. <sup>2/</sup> Released at 9:00am CT on the Friday before the 5th, unless this date is a Friday. <sup>3/</sup> Released at 9:00am CT on the Friday before the 23rd of the month unless this date is a Friday.